

**MORE THAN INFLATION:  
THE GROWTH OF THE DEPARTMENT OF CORRECTIONS BUDGET  
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The budget process for fiscal year (FY) 2000-01 is barely finished, but already increases in the appropriation for FY 2001-02 and beyond for the Department of Corrections (DOC) can be anticipated. Primarily, the DOC budget includes salaries or wages and contractual services to provide custody and/or supervision for more than 100,000 prisoners, parolees, and probationers annually. Due to the nature of the DOC budget, annual increases in the base budget can be expected, even if the offender population remains constant. Given that there is little evidence that the caseload of the DOC will remain at the current level or decrease and that there are significant economic pressures on wages, pharmaceuticals, and medical services, and given the size of the DOC's base budget, the annual increases just to meet the new year's base will cause the appropriation to grow at a rate higher than inflation.

**Table 1  
DEPARTMENT OF CORRECTIONS BUDGET INCREASES BY COST CATEGORY  
FY 2000-01**

<b>General Fund/General Purpose FY 1999-2000</b>	<b>\$1,486,579,100</b>	
<b>Caseload/Expansion</b>		
New Capacity	9,757,900	
Full-Year Increase	37,398,100	
Delayed Openings	(6,092,300)	
New Employee Training	(2,442,900)	
Resident Stores	(143,300)	
Oversight Fees	(1,015,200)	
Electronic Monitoring	(172,300)	
Substance Abuse	628,500	
<b>Total</b>	<b>\$ 37,918,500</b>	<b>2.6%</b>
<b>Fund Source Adjustments</b>		
Youth Correctional Facility Funding	(761,400)	
Residential Substance Abuse Treatment	1,835,000	
Public Works	(229,000)	
Community Residential Placement	864,000	
Telephone Fees	2,500,000	
<b>Total</b>	<b>\$ 4,208,600</b>	<b>0.3%</b>
<b>Base Cost Increases</b>		
Salary Increases	9,071,300	
Leap Year	(3,741,300)	
Substance Abuse	1,041,600	
Managed Care Contract Increase	2,438,200	
Pharmaceutical increases	3,544,800	
Utilities	1,605,300	
Field Office Rent	88,600	
Economics	63,528,000	
<b>Total</b>	<b>\$ 77,576,500</b>	<b>5.2%</b>
<b>Program Adjustments</b>		
Prisoner Uniforms	6,341,600	
Vehicles	939,100	
Project CHANGE/RESTART	315,300	
Psychiatric Services	159,600	
Ionia Maximum Rehabilitation	345,100	
Hemophiliac Pharmaceuticals	540,000	
New Positions	589,200	
County Jail Reimbur. Program	517,800	
Training Academy	(1,181,000)	
Grand View Plaza Rent	191,700	
Service Surcharges	1,285,000	
<b>Total</b>	<b>\$ 10,043,400</b>	<b>0.7%</b>
<b>General Fund/General Purpose Increase</b>	<b>\$132,503,600</b>	<b>8.9%</b>
<b>General Fund/General Purpose FY 2000-01</b>	<b>\$1,619,082,700</b>	

Source: FY 2000-01 Appropriations

The FY 2000-01 appropriation for the Department of Corrections increases General Fund/General Purpose (GF/GP) spending 8.9% over the FY 1999-2000 appropriation. This 8.9% increase includes 7.8% to address increased caseloads or facility expansions as well as increased base costs for labor, pharmaceuticals, and contractual items related to the provision of custody and supervision services. If no new facilities had opened and if caseload expansions had not occurred, the budget still would have grown 5.2%, as seen in Table 1.

In the near future, the 5.2% increase in base cost is very likely to continue. First, in FY 1999-2000 there was a leap year additional appropriation for one day of salaries, benefits, and utilities totaling \$3.7 million. In FY 2000-01, the elimination of this one-time increase offsets some of the increase in base costs. However, there does not appear to be a similar reduction for FY 2001-02 or future years. Second, although the \$9.1 million salary increase should not be repeated next year, because it was an adjustment to salaries reflecting the large number of employees moving from one step on the pay scale to another, in outlying years similar adjustments will be required. For example, in FY 1999-2000, the Department anticipates adding over 1,700 new employees. As these employees advance in their careers, base costs will have to be adjusted. Third, workers' compensation was not adjusted for base cost increases this year. Additionally, workers' compensation in the past, has had shortfalls that have been addressed not with an additional appropriation but rather with a transfer of funds from other line items. As more prisons are opened, adjustments to the workers' compensation line item will take place.

Given that the FY 2000-01 GF/GP spending will be \$1.6 billion and that the base cost increase will be constant, the base cost growth of the FY 2001-02 budget has the potential of being as much as \$84 million. Also, in FY 2001-02, several previously constructed housing units will begin operations and full-year funding for a new 1,500-bed facility at St. Louis called Bellemy Creek will be needed. Calculations based on partial-year appropriation levels indicate that these facilities could require increased spending of \$39 million. Together, the potential caseload and base cost increases for FY 2001-02 could total \$123 million or 7.7% of the FY 2000-01 appropriation. It is important to understand, however, that these are rough estimates that do not include any GF/GP offsets from the caseload growth, i.e., increases in the deduction for prison stores, which offsets GF/GP or other operations changes.

Other than the facilities scheduled to open in FY 2001-02, there are no large facility expansions currently approved. Table 2 shows, however, that the potential growth of the prison population would require new bed construction or leasing toward the end of FY 2002-03. Thus, in the outlying years, the need to increase capacity will again drive the budget toward an 8.0% increase to adjust to the new level of activity.

Additionally, the sentencing guideline reductions shown in column 3 of Table 2 result because certain offenders who would have been sentenced to prison are precluded from receiving a prison sentence based on the length of the minimum sentence or because the offense is now within the jurisdiction of the district court. Because more offenders are expected to receive local sanctions, the number of offenders supervised in the community may increase either as these offenders are placed on probation or as these offenders are placed in jail and other lower-level offenders receive probation. Since the DOC budget provides for circuit court probation agents, community-based supervision costs can be expected to increase, with GF/GP funds absorbing 80% of the direct cost and offender fees providing the rest pursuant to statute. The average daily cost of community supervision in FY 1998-99 was estimated at \$4.38 per offender. Assuming that every offender placed on probation is supervised for 120 days and that the caseload expands by 1,200 offenders, costs for supervision could increase, on average, \$630,700.

Table 2

ESTIMATED PRISON CAPACITY AND POPULATION						
Year: Month End	(1) Capacity	(2) Population	(3) Sentencing Guidelines	(4) All Offenders Truth-in- Sentencing	(5) Adjusted Population	(6) Capacity Surplus (Deficit)
2000: Mar	45,297	44,858	0	0	44,858	439
Jun	45,739	45,398	0	0	45,398	341
Sep	45,821	45,642	(114)	292	45,820	1
Dec	46,621	45,958	(211)	332	46,079	542
2001: Mar	46,661	46,416	(337)	395	46,474	187
Jun	46,687	46,759	(463)	457	46,753	(66)
Sep	48,265	47,011	(589)	520	46,942	1,323
Dec	48,265	47,303	(715)	582	47,170	1,095
2002: Mar	48,265	47,789	(840)	601	47,550	715
Jun	48,265	48,219	(965)	619	47,873	392
Sep	48,265	48,438	(1,089)	638	47,987	278
Dec	48,265	48,978	(1,214)	565	48,329	(64)
2003: Mar	48,265	49,354	(1,219)	713	48,848	(583)
Jun	48,265	49,817	(1,224)	770	49,363	(1,098)
Sep	48,265	50,258	(1,228)	827	49,857	(1,592)
Dec	48,265	50,709	(1,233)	884	50,360	(2,095)

Column 1 shows the actual net capacity through March 2000 increased by the estimated total capacity additions from special use increases and new facility openings. Column 2 shows the actual population through March 2000 and the population projection from the Department of Corrections 3/1/00. Column 3 shows the effect of sentencing guidelines as estimated by James Austin of the National Council on Crime and Delinquency (NCCD) for the sentencing guideline commission. The DOC has stopped using these estimates when making prison population projections, because the guidelines were enacted differently from the recommendations and assumptions of the sentencing guideline commission. Column 4 shows the estimated effect of truth-in-sentencing statutes as presented by James Austin of the NCCD. This estimate was made based on truth-in-sentencing being applied to all crimes. In fact, truth-in-sentencing as enacted applied to violent crimes committed after January 1, 1999 and to all other crimes committed after January 1, 2000. Again, the DOC has stopped using these estimates for its prison population projections. Column 5 shows the DOC population projection adjusted by the effects of sentencing guidelines and truth-in-sentencing. Column 6 shows the difference between the capacity and the adjusted population. Because the capacity was estimated using the net operating capacity, there may be additional beds in the total capacity, but policy changes would have to be made to make these beds available for general use.

In FY 2000-01, \$16.9 million, or 1.0% of the total GF/GP appropriation for the DOC, is appropriated for the Youth Correctional Facility. Currently, the operations of the Youth Correctional Facility (YCF) are paid for with Federal Violent Offender Incarceration and Truth-in-Sentencing funds. These funds are designated by the Federal government for bed leasing from a private entity or new prison construction. According to the Department, although these funds are presently allocated to several construction projects and operations of the YCF in FY 1999-2000 and FY 2000-01, there could be sufficient funds for FY 2001-02

In conclusion, from the evidence presented above, it appears that the Department of Corrections annual appropriation will require at least an 8.0% increase to meet base cost increases, caseload growth, and capacity expansion or fund source adjustments. If the annual growth of the corrections budget remains at this level, the flexibility to innovate new programs or undertake new initiatives will be very hard won from the perspective of the allocation of GF/GP funds. Programs offering operating efficiencies or alternatives to incarceration should be carefully scrutinized to determine the overall effect on GF/GP spending.